

DE News

March 19, 2002 – Iowa Department of Education – Ted Stilwill, Director

Today the Iowa Legislature passed the Governor's recommended 1% allowable growth rate for K-12 in FY03. This means a \$45 per pupil increase in spending authority. In addition to passing a 1% allowable growth rate, the legislation appropriates \$1,784,090,500 for state foundation aid or a \$59 million increase. This \$59 million increase in state foundation aid is approximately \$11.5 million less than the amount required to "fully fund" the state aid part of the formula. This "wrinkle" means that districts must decide whether to levy (use) cash reserve for the additional \$11.5 million to fully fund the 1% allowable growth.

Although I am pleased that an allowable growth rate has been set and that the Governor's recommendation of 1% has been accepted, you need to be aware of other discussions that are taking place.

Many indications say that this \$59 million is not going to be new money for K-12. Legislators agreed last night that Iowa's fiscal outlook at best shows \$25 million in new money for the entire FY03 budget. So what gives?

Late this afternoon Republican legislative leadership released their budget targets. Here's what it looks like:

- Teacher compensation: Cut from \$40 million to \$10 million. (\$30 million reduction)
- Phase III: Cut from \$23.8 million to \$10.8 million. (\$13 million reduction)
- School Technology: Cut from \$10 million to no funding. (\$10 million reduction)
- No cuts are proposed to instructional support, Class Size/Early Intervention, Shared Visions and nonpublic transportation.

This trade off is costly. Very little new money flows into education under almost any scenario. We presume that the legislature will do the bare minimum with the \$10 million for Teacher Quality and keep the mentoring and induction program, National Board Certification, and the revamping of teacher evaluations and professional development. The possibility of losing \$30 million dedicated to improving teacher salaries is troublesome.

Cutting Phase III jeopardizes what we know to be true: Improving instruction is critical to improving student achievement. Under this budget target, school technology funds are zeroed out putting an end to a seven year effort to help Iowa students keep pace with today's high tech society.

The allowable growth bill, Senate File 2315, also maintains the \$7.5 million FY02 cut to the AEAs for FY03 and FY04. Lastly, the bill uses \$25 million from the Economic Emergency Fund (EEF) and \$20 million from wagering revenues. This "back fills" for FY03 the \$45 million used three weeks ago from the EEF to hold K-12 harmless for the remainder of FY02.

Community College Funding

The above mentioned budget target level funds community college state general aid for FY03. This leaves the colleges with few alternatives: increase tuition, larger classes, fewer offerings, and staff reductions. It is unclear today how community colleges will be impacted by reductions to economic development, college aid commission or corrections education programs.

The first step was taken today. But pay attention. More is certain to follow.

Certifying your budget

There is no change in the budget certification date. If you haven't already done so, you are required to certify your budget to the county auditor by April 15. This may be the first time many districts find themselves on a budget guarantee (budget adjustment). Note:

- A budget adjustment only applies to your regular program district cost.
- The guaranteed amount is the 2001-02 regular program district cost including any adjustments added to the 2001-02 regular program district cost.
- The guarantee is not automatic; your board must adopt a resolution and notify DOM by April 1 that you wish to receive a budget adjustment.

- A board may ask for a budget adjustment that is less than the amount required to bring the FY03 regular program cost up to the FY02 regular program district cost.
- The adjustment is supported with property taxes only.
- The FY04 budget guarantee for regular program district cost will be based upon the FY03 budget including any adjustments.
- Beginning in FY05 the historical method of determining budget adjustments will begin to be phased out, with the program set to expire over 10 years.

The other new item for all districts in this year's budgeting process is the fact that 1% allowable growth is not fully funded with state aid.

You can access Senate File 2315 on the legislature's web page:
www.legis.state.ia.us